

CITY OF IDA GROVE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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CITY OF IDA GROVE
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Dennis Ernst	Mayor	January 2010
Paul Bargar	Council Member	January 2010
Craig Rupert	Council Member	January 2010
Bill Carnine	Council Member	January 2012
Paul Cates	Council Member	January 2012
Robert Fineran	Council Member	January 2012
Edie Ball	Clerk	Indefinite
Connie Pfleeger	Deputy Clerk/Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2010, on our consideration of City of Ida Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 18 and 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Ida Grove, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basis financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the six year period ended June 30, 2008 (none of which are presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 15, 2010

Hurzelman, Putzer & Co.

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Functions/Programs:								
Primary government:								
Governmental activities:								
Public safety	\$ 306,370	\$ 5,145	\$ 19,679	\$ -	\$ (281,546)	\$ -	\$ (281,546)	\$ -
Public works	309,886	45,949	199,944	-	(63,993)	-	(63,993)	-
Health and social services	6,819	2,849	-	-	(3,970)	-	(3,970)	-
Culture and recreation	572,838	209,186	30,931	40,979	(291,742)	-	(291,742)	-
General government	197,899	4,502	25,539	-	(167,858)	-	(167,858)	-
Debt service	161,443	-	-	-	(161,443)	-	(161,443)	-
Capital projects	72,891	-	-	-	(72,891)	-	(72,891)	-
Total governmental activities:	<u>1,628,146</u>	<u>267,631</u>	<u>276,093</u>	<u>40,979</u>	<u>(1,043,443)</u>	<u>-</u>	<u>(1,043,443)</u>	<u>-</u>
Business type activities:								
Water	205,811	246,583	-	-	-	40,772	40,772	-
Sewer	181,060	140,535	-	-	-	(40,525)	(40,525)	-
Garbage	145,603	146,323	-	-	-	720	720	-
Total business type activities	<u>532,474</u>	<u>533,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>967</u>	<u>967</u>	<u>-</u>
Total primary government	<u>\$ 2,160,620</u>	<u>\$ 801,072</u>	<u>\$ 276,093</u>	<u>\$ 40,979</u>	<u>(1,043,443)</u>	<u>967</u>	<u>(1,042,476)</u>	<u>-</u>
Component unit:								
Ida Grove Community Rec Center								
Endowment Trust	<u>\$ 8,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,143)</u>
General Receipts:								
Property tax levied for:								
General purposes					686,190	-	686,190	-
Debt service					57,173	-	57,173	-
Tax increment financing					43,268	-	43,268	-
Hotel-Motel tax					28,968	-	28,968	-
Unrestricted interest on investments					26,367	-	26,367	10,076
MTBE settlement					384,869	-	384,869	-
Miscellaneous					12,604	-	12,604	-
Transfers					<u>90,215</u>	<u>(90,215)</u>	<u>-</u>	<u>-</u>
Total general receipts and transfers					<u>1,329,654</u>	<u>(90,215)</u>	<u>1,239,439</u>	<u>10,076</u>

(Continued)

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A
(Continued)

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
		Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest		Primary Government			Component
	<u>Disbursements</u>	<u>Charges for Service</u>			<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Unit</u>
Change in cash basis net assets					\$ 286,211	\$ (89,248)	\$ 196,963	\$ 1,933
Cash basis net assets beginning of year					991,831	779,576	1,771,407	255,098
Cash basis net assets end of year					<u>\$ 1,278,042</u>	<u>\$ 690,328</u>	<u>\$ 1,968,370</u>	<u>\$ 257,031</u>
Cash Basis Net Assets								
Restricted:								
Streets					\$ 424,207	\$ -	\$ 424,207	\$ -
Tax increment purposes					261,789	-	261,789	-
Debt service					(290)	-	(290)	-
Other purposes					119,627	-	119,627	-
Ida Grove Community Rec Center					-	-	-	257,031
Unrestricted					472,709	690,328	1,163,037	-
Total cash basis net assets					<u>\$ 1,278,042</u>	<u>\$ 690,328</u>	<u>\$ 1,968,370</u>	<u>\$ 257,031</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B

	<u>Special Revenue</u>				
			<u>Tax</u>		
	<u>General</u>	<u>Road</u>	<u>Increment</u>	<u>Non Major</u>	<u>Total</u>
		<u>Use</u>	<u>Financing</u>		
Receipts:					
Property tax	\$ 542,933	\$ -	\$ -	\$ 157,184	\$ 700,117
Tax increment financing	-	-	43,268	-	43,268
Other city tax	62,577	-	-	9,637	72,214
Licenses and permits	6,606	-	-	-	6,606
Use of money and property	51,975	-	-	-	51,975
Intergovernmental	27,175	194,979	-	-	222,154
Charges for service	240,967	-	-	-	240,967
Miscellaneous	486,841	-	-	-	486,841
Total receipts	<u>1,419,074</u>	<u>194,979</u>	<u>43,268</u>	<u>166,821</u>	<u>1,824,142</u>
Disbursements:					
Operating:					
Public safety	305,969	-	-	401	306,370
Public works	217,772	63,142	-	28,972	309,886
Health and social services	6,819	-	-	-	6,819
Culture and recreation	547,363	-	-	25,475	572,838
General government	179,274	-	-	18,625	197,899
Debt service	-	-	-	161,443	161,443
Capital projects	-	-	-	72,891	72,891
Total disbursements	<u>1,257,197</u>	<u>63,142</u>	<u>-</u>	<u>307,807</u>	<u>1,628,146</u>
Excess (deficiency) of receipts over disbursements	<u>161,877</u>	<u>131,837</u>	<u>43,268</u>	<u>(140,986)</u>	<u>195,996</u>
Other financing sources (uses):					
Operating transfers in	14,759	-	-	189,477	204,236
Operating transfers out	-	(55,999)	(43,263)	(14,759)	(114,021)
Total other financing sources (uses)	<u>14,759</u>	<u>(55,999)</u>	<u>(43,263)</u>	<u>174,718</u>	<u>90,215</u>
Net change in cash balances	176,636	75,838	5	33,732	286,211
Cash balances beginning of year	<u>423,458</u>	<u>348,369</u>	<u>261,784</u>	<u>(41,780)</u>	<u>991,831</u>
Cash balances end of year	<u>\$ 600,094</u>	<u>\$ 424,207</u>	<u>\$ 261,789</u>	<u>\$ (8,048)</u>	<u>\$ 1,278,042</u>

(Continued)

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B
(Continued)

	<u>Special Revenue</u>				
	<u>General</u>	<u>Road</u>	<u>Tax</u>	<u>Non Major</u>	<u>Total</u>
		<u>Use</u>	<u>Increment</u>		
			<u>Financing</u>		
Cash Basis Fund Balances					
Reserved for debt service	\$ -	\$ -	\$ -	\$ (290)	\$ (290)
Unreserved:					
General fund	600,094	-	-	-	600,094
Special revenue funds	-	424,207	261,789	119,627	805,623
Capital project fund	-	-	-	(127,385)	(127,385)
Total cash basis fund balances	<u>\$ 600,094</u>	<u>\$ 424,207</u>	<u>\$ 261,789</u>	<u>\$ (8,048)</u>	<u>\$ 1,278,042</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 241,095	\$ 140,289	\$ 146,323	\$ 527,707
Miscellaneous	<u>5,488</u>	<u>246</u>	<u>-</u>	<u>5,734</u>
Total operating receipts	246,583	140,535	146,323	533,441
Operating disbursements:				
Business type activities	<u>205,811</u>	<u>181,060</u>	<u>145,603</u>	<u>532,474</u>
Excess (deficiency) of operating receipts over operating disbursements	40,772	(40,525)	720	967
Operating transfers out	<u>(90,215)</u>	<u>-</u>	<u>-</u>	<u>(90,215)</u>
Net change in cash balances	(49,443)	(40,525)	720	(89,248)
Cash balances beginning of year	<u>396,405</u>	<u>311,277</u>	<u>71,894</u>	<u>779,576</u>
Cash balances end of year	<u>\$ 346,962</u>	<u>\$ 270,752</u>	<u>\$ 72,614</u>	<u>\$ 690,328</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 346,962</u>	<u>\$ 270,752</u>	<u>\$ 72,614</u>	<u>\$ 690,328</u>

See notes to financial statements.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of Significant Accounting Policies

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, general government, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission during the year ended June 30, 2009, were \$260,164.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of Significant Accounting Policies - (Continued)
- B. Basis of Presentation - (Continued)

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of Significant Accounting Policies - (Continued)
 - B. Basis of Presentation - (Continued)

The Garbage Fund accounts for the operation and maintenance of the City's system of solid waste removal.

- C. Measurement Focus and Basis of Accounting

City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

- D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, the City did not exceed the amounts budgeted.

2. Cash

The City's deposits in banks at June 30, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

3. Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 130,000	\$ 36,212
2011	130,000	30,948
2012	100,000	25,683
2013	105,000	21,982
2014	110,000	18,045
2015-2017	<u>360,000</u>	<u>28,235</u>
Total	<u>\$ 935,000</u>	<u>\$ 161,105</u>

4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$27,474, \$25,434, and \$23,457 respectively, equal to the required contributions for each year.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 18,730</u>

The liability has been computed based on rates of pay as of June 30, 2009.

6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Emergency fund	\$ 14,759

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

6. Interfund Transfers - (Continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Special Revenue: Road Use	\$ 55,999
Debt Service	Special Revenue: Tax Increment Financing	43,263
	Enterprise: Water	<u>90,215</u>
		<u>\$ 204,236</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

7. Commercial Development Revenue Bonds

Commercial Development Revenue Bonds were issued July 1, 1984, for \$575,000, under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of the properties constructed and the bond principal and interest do not constitute liabilities of the City. The balance outstanding at June 30, 2009, was \$30,000.

8. Service Agreements

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$141,138 for the year ended June 30, 2009.

9. Hospital Revenue Notes

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa of which \$7,889,708 is outstanding at June 30, 2009. The bonds and related interest are payable solely from the revenue of the hospital and the bond principal and interest do not constitute liabilities of the City.

10. Construction Contracts and Commitments

The City has entered into the following contracts which were not completed as of June 30, 2009.

<u>Projects</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of 6-30-09</u>	<u>Remaining Commitment As of 6-30-09</u>
Library addition	\$ 175,111	\$ 173,520	\$ 1,591
Moorehead Ave Bridge	274,157	-	274,157
Street improvements	173,728	-	173,728
Engineering	24,850	15,090	9,760
Badger/Odebolt Creek	92,200	-	92,200

The above costs will be paid from Federal Stimulus money (\$200,000), FEMA (\$79,452), and funds on hand.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

11. Risk Management

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Deficit Fund Balance

The Debt Service Fund and the Capital Projects Funds: West Access, Moorehead Bridge, Badger/Hillcrest, and Moorehead Avenue had deficit balances of \$290, \$106,455, \$13,100, \$7,879, and \$1,000, respectively at June 30, 2009. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments and transfers from other funds.

13. Intergovernmental Agreement

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the County for compliance with these requirements have been estimated at \$513,285 according to the County's latest audit report available which was for the year ended June 30, 2008.

The County has begun to accumulate resources to fund these costs and, at June 30, 2008, assets of \$613,388 are restricted for these purposes.

14. Subsequent Events

Effective July 1, 2009 the City will begin receiving local option sales tax. This tax is to be used 20% for property tax relief and 80% for capital improvements. Also, the City purchased a new fire emergency vehicle for approximately \$160,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 700,117	\$ -	\$ 700,117	\$ 700,931	\$ 700,931	\$ (814)
Tax increment financing	43,268	-	43,268	43,263	43,263	5
Other city tax	72,214	-	72,214	58,252	58,252	13,962
Licenses and permits	6,606	-	6,606	8,350	8,350	(1,744)
Use of money and property	51,975	-	51,975	71,325	71,325	(19,350)
Intergovernmental	222,154	-	222,154	3,218,450	318,450	(96,296)
Charges for service	240,967	527,707	768,674	813,064	813,064	(44,390)
Special assessments	-	-	-	434	434	(434)
Miscellaneous	486,841	5,734	492,575	63,501	63,501	429,074
Total receipts	<u>1,824,142</u>	<u>533,441</u>	<u>2,357,583</u>	<u>4,977,570</u>	<u>2,077,570</u>	<u>280,013</u>
Disbursements:						
Public safety	306,370	-	306,370	339,937	495,937	189,567
Public works	309,886	-	309,886	593,927	593,927	284,041
Health and social services	6,819	-	6,819	8,370	8,370	1,551
Culture and recreation	572,838	-	572,838	421,748	611,287	38,449
General government	197,899	-	197,899	267,497	267,497	69,598
Debt service	161,443	-	161,443	172,631	190,741	29,298
Capital projects	72,891	-	72,891	4,974,147	73,477	586
Business type activities	-	532,474	532,474	665,186	722,186	189,712
Total disbursements	<u>1,628,146</u>	<u>532,474</u>	<u>2,160,620</u>	<u>7,443,443</u>	<u>2,963,422</u>	<u>802,802</u>
Excess (deficiency) of receipts over disbursements	195,996	967	196,963	(2,465,873)	(885,852)	1,082,815
Other financing sources, net	90,215	(90,215)	-	1,165,000	189,539	(189,539)
Balances, beginning of year	<u>991,831</u>	<u>779,576</u>	<u>1,771,407</u>	<u>6,119,811</u>	<u>6,119,811</u>	<u>(4,348,404)</u>
Balances, end of year	<u>\$ 1,278,042</u>	<u>\$ 690,328</u>	<u>\$ 1,968,370</u>	<u>\$ 4,818,938</u>	<u>\$ 5,423,498</u>	<u>\$ (3,455,128)</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$4,480,021 due primarily to a capital project that was not started. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

	Special Revenue					
	Employee Benefits	Emergency Fund	FEMA Fund	Debt Service	Capital Projects	Total
Receipts:						
Property tax	\$ 89,358	\$ 13,899	\$ -	\$ 53,927	\$ -	\$ 157,184
Other city tax	5,531	860	-	3,246	-	9,637
Total receipts	94,889	14,759	-	57,173	-	166,821
Disbursements:						
Operating:						
Public safety	401	-	-	-	-	401
Public works	28,972	-	-	-	-	28,972
Culture and recreation	25,475	-	-	-	-	25,475
General government	18,625	-	-	-	-	18,625
Debt service	-	-	-	161,443	-	161,443
Capital projects	-	-	-	-	72,891	72,891
Total disbursements	73,473	-	-	161,443	72,891	307,807
Excess (deficiency) of receipts over disbursements	21,416	14,759	-	(104,270)	(72,891)	(140,986)
Other financing sources (uses):						
Transfers in	-	-	-	133,478	55,999	189,477
Transfers out	-	(14,759)	-	-	-	(14,759)
	-	(14,759)	-	133,478	55,999	174,718
Net change in cash balances	21,416	-	-	29,208	(16,892)	33,732
Cash balances beginning of year	50,697	707	46,807	(29,498)	(110,493)	(41,780)
Cash balances end of year	\$ 72,113	\$ 707	\$ 46,807	\$ (290)	\$ (127,385)	\$ (8,048)
Cash Basis Fund Balances						
Reserved for debt service	\$ -	\$ -	\$ -	\$ (290)	\$ -	\$ (290)
Unreserved:						
Special Revenue	72,113	707	46,807	-	-	119,627
Capital project fund	-	-	-	-	(127,385)	(127,385)
	\$ 72,113	\$ 707	\$ 46,807	\$ (290)	\$ (127,385)	\$ (8,048)

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Airport improvement	October 11, 2000	5.00%	\$ 290,000	\$ 100,000	\$ -	\$ 30,000	\$ 70,000	\$ 5,000	\$ -
Corporate purpose	October 1, 2006	3.70-3.90	1,010,000	<u>955,000</u>	<u>-</u>	<u>90,000</u>	<u>865,000</u>	<u>36,043</u>	<u>-</u>
				<u>\$ 1,055,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 935,000</u>	<u>\$ 41,043</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
BOND MATURITIES
JUNE 30, 2009

Schedule 3

General Obligations Bonds

Year Ending <u>June 30,</u>	Airport Improvement Issued <u>October 11, 2000</u>		Corporate Purpose Issued <u>October 1, 2006</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2010	5.00%	\$ 35,000	3.70%	\$ 95,000	\$ 130,000
2011	5.00	35,000	3.70	95,000	130,000
2012		-	3.70	100,000	100,000
2013		-	3.75	105,000	105,000
2014		-	3.80	110,000	110,000
2015		-	3.80	115,000	115,000
2016		-	3.85	120,000	120,000
2017		-	3.90	125,000	125,000
		<u>\$ 70,000</u>		<u>\$ 865,000</u>	<u>\$ 935,000</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

Schedule 4

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:							
Property tax	\$ 700,117	\$ 701,960	\$ 635,260	\$ 603,344	\$ 537,045	\$ 542,175	\$ 485,730
Tax increment financing	43,268	42,211	4	34,908	99,718	96,850	183,235
Other city tax	72,214	27,497	60,731	44,748	41,729	38,314	40,097
Licenses and permits	6,606	7,979	7,921	6,870	9,008	6,369	2,190
Use of money and property	51,975	73,213	77,191	63,353	47,954	34,949	42,552
Intergovernmental	222,154	452,118	472,970	291,748	237,346	232,944	344,280
Charges for service	240,967	211,320	202,664	203,660	196,288	172,165	15,733
Special assessments	-	1,298	542	578	2,043	7,614	4,878
Miscellaneous	486,841	245,726	128,480	132,011	210,108	473,297	1,019,413
Total	<u>\$ 1,824,142</u>	<u>\$ 1,763,322</u>	<u>\$ 1,585,763</u>	<u>\$ 1,381,220</u>	<u>\$ 1,381,239</u>	<u>\$ 1,604,677</u>	<u>\$ 2,138,108</u>
Disbursements:							
Operating:							
Public safety	\$ 306,370	\$ 306,781	\$ 325,842	\$ 280,524	\$ 257,594	\$ 254,600	\$ 260,739
Public works	309,886	420,950	427,731	325,179	295,948	330,013	389,524
Health and social services	6,819	7,464	10,040	20,328	20,763	17,506	21,241
Culture and recreation	572,838	373,495	376,070	383,305	317,698	258,039	1,187,576
General government	197,899	213,503	218,002	188,092	180,540	173,439	161,296
Debt service	161,443	182,727	112,965	90,965	131,605	131,715	136,805
Capital projects	72,891	158,749	505,168	207,824	466,939	438,145	-
Total	<u>\$ 1,628,146</u>	<u>\$ 1,663,669</u>	<u>\$ 1,975,818</u>	<u>\$ 1,496,217</u>	<u>\$ 1,671,087</u>	<u>\$ 1,603,457</u>	<u>\$ 2,157,181</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ida Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Ida Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Ida Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Ida Grove's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Ida Grove's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-C-09, are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ida Grove's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Ida Grove's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Ida Grove and other parties to whom City of Ida Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

February 15, 2010

Hunzelman, Putzier & Co.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City continually monitors accounting procedures and in a small office it is difficult to have segregation of duties. However, when fully staffed there are three employees available to divide the work so it isn't all done by two people.

Conclusion - Response accepted.

- I-B-09 Fire Department, Library and Centennial Commission Funds - The Fire Department, Library and Centennial Commission currently maintain bank accounts which are not included in the City's financial records. These do not appear to be separate non-profit corporations, but may be departments of the City. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted.

Response - The City will schedule meetings for the auditor to meet with all organizations to review the Iowa Code, Chapter 384.20 and for those organizations that are not city departments the time needed to make changes so they no longer use the City federal identification number on their bank accounts.

Conclusion - Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

SIGNIFICANT DEFICIENCIES - (Continued)

- I-C-09 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - The City Council is committed to employee training to expand their knowledge base. Also, City staff supplements their knowledge by employing certified accounting personnel to prepare year-end financial statements or any necessary financial statements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - Disbursements as of June 30, 2009, did not exceed the amounts budgeted. However, disbursements exceeded the amounts budgeted in the culture and recreation function prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The City Clerk will review disbursements to amend the budget appropriately in the proper time rather than at the end of the fiscal year.

Conclusion - Response accepted.

- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-09 Business Transactions - We noted no business transactions between the City and City officials or employees.

- II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting - (Continued)

II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

II-H-09 Excess Balances - The following funds have balances at June 30, 2009, in excess of one year's expenditures:

Special Revenue - Road Use

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - The City plans on utilizing the excess funds to buy equipment for the street department.

Conclusion - Response accepted.

II-I-09 Financial Condition - At June 30, 2009, the City had deficit balances in the Debt Service, West Access, Moorehead Bridge, Badger/Hillcrest, and Moorehead Avenue funds of \$290, \$106,455, \$13,100, \$7,879 and \$1,000, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - The City will review the deficit balances and transfer funds as appropriate.

Conclusion - Response accepted.